



INVESTOR PRESENTATION

# VT RM Alternative Income Fund

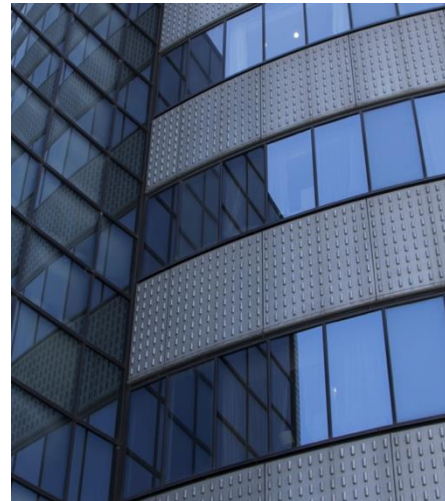
September 2018

  
**RMFunds**

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# About RM Funds

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## RM Funds is Investment Adviser to the Fund.

- RM Funds is a trading name of RM Capital Markets Limited (“RM”). RM specialises in alternative asset fund management with circa **\$150m assets under management**.
- RM was founded in 2010. RM currently manages **RM Secured Direct Lending PLC**, a LSE premium-listed investment trust established in 2016 to invest in a portfolio of debt investments.
- RM has an Investment Team of six and additional support staff including distribution, compliance, finance and legal. We have ten FCA authorized investment professionals.
- Valu-Trac Investment Management is the Authorized Corporate Director to the Fund. Established in 1989, as ACD the firm administers over circa £2.8bn of assets.

RM was  
founded in  
**2010**

Specialists  
in alternative  
asset fund  
management

**c.\$150m**  
assets under  
management

Investment  
team of six,  
plus additional  
support staff

**c.£2.8bn**  
of assets  
administered by  
ACD, Valu-Trac IM



# RMAI Overview

## The VT RM Alternative Income Fund (the “Fund”) launched in June 2018.

- **An actively managed defensive investment fund**, with a strategy designed to weather deteriorating and/ or volatile market conditions.
- Offers **protection against a rising interest rates** environment, **rising inflation** and with the potential **for capital growth over the medium term**.
- The Fund invests in a diversified portfolio of listed securities with **exposure to alternative income-producing assets**, such as Real Estate, Infrastructure and Alternative Lending.
- The Fund offers investors **exposure to a variety of sectors** that have traditionally been seen as defensive, less volatile, and uncorrelated with the wider equity and fixed income markets.

FUND  
LAUNCHED

11<sup>th</sup> June

EXPERIENCED  
FUND MANAGERS

**Pietro Nicholls,**

- 12 years in fund management, investment banking and trading

**James Robson, CIO,**

- 20 years experience in trading and fund management,
- Former head of credit trading HSBC, 20 years experience

Target  
**5.00% p.a.**  
dividend income,  
paid quarterly

Total return target  
**7-8% p.a.**

Interest rate &  
inflation-protection  
Capital  
preservation

Ethical, social  
and corporate  
governance  
criteria

Charges  
capped at  
**0.85%**



## Alternative Income Assets

Alternative Income Assets include:

- **Lending:** Asset Finance, Direct Lending, Peer to Peer
- **Infrastructure:** Renewables, Airports, Telecommunications
- **Specialist Real Estate:** Distribution Warehouses, Care Homes, GP Surgeries

# What are Alternative Income Assets, and why invest?

## Alternative Income assets, put simply, are investments in assets other than traditional equities, bonds and cash.

They include assets in specialist real estate (data centres, care homes, forecourts), private credit (asset finance, direct & platform lending) and infrastructure (airports, hospitals, renewables).

### Investing in alternative income assets provides the following benefits for investors:

- Uncorrelated returns to traditional asset classes;
- Asset mix / portfolio diversification;
- Reduces risk with protection against inflation and interest rates rises.

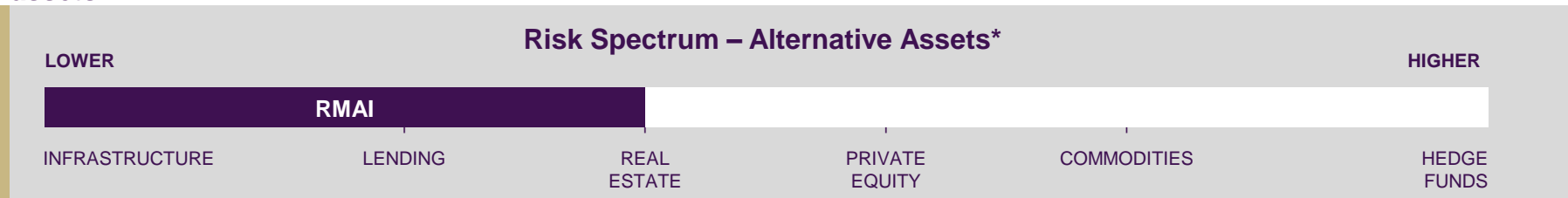
With such a range of options, RM Funds designed VT RMAI to offer investors an actively managed, low risk, defensive all-in one fund which will provide exposure to a broad range of alternative income producing assets.

#### Troubled Macro Economic Outlook

- Conflicted US Monetary and Fiscal Policy
- Trade Wars
- Unwinding of European QE
- EM Sovereign Contagion
- Brexit

#### Meanwhile Closer to Home

- Technological Disruption
- Social-Demographic Trends
- TINA Trades
- Death of the High St
- Rising Consumer Debt



\* Chart an indication only of the proposed risks the Investment Managers wish to take expressed in terms of the fund investments – please see Key Information document for fund risk rating.

# Alternative Lending

**The global financial crisis of 08/09 caused a paradigm shift in how Companies viewed financing their business activities and growth. Banks could no longer be relied upon to support their clients.**

In the aftermath, increased Government intervention and regulation, combined with the effects of loose monetary policy and quantitative easing, has meant investors are faced with corporate bond yields near 10-30 year lows, rapidly rising inflation and watered down investor protection driven by borrowers and their advisors.

Alternative lending predominately represents the gap left between traditional lending by the clearing banks and the large public bond issues available to borrowers wishing to raise significant amounts of capital (£250m+). It includes everything from asset finance, leasing, and invoice discounting, to direct lending and platform lending.

The “new” lenders are institutional “buy & hold” investors rather than the banks (“lend and securitise”), and therefore the focus has been on credit quality, appropriate security, tighter covenants, and minimizing exposure to interest rates and inflation.

## SUMMARY STATISTICS

**c.\$500bn**

in alternative credit assets.

**c.£4.6bn**

lent through online finance in 2016 in UK

**£128bn+**

of asset, motor and consumer finance advanced to UK based borrowers in 2017.

## INVESTMENT CHARACTERISTICS

Floating rate investments, mitigate interest rate risk and reduce exposure to inflation.

Diversification effects, with portfolios of 10-100s of middle-market corporate loans.

Focus on capital preservation, with lending typically secured over assets such as plant, property, equipment and cash flows.

# Specialist Real Estate

**A sub-set of the real-estate asset class which has benefited from various/specific socio-demographic and macro-economic factors and trends.**

These include: government policy, social migration, low carbon economies, monetary policy, aging populations, and technological innovation & disruption.

Specialist real-estate comprises care homes, nurseries, co-living, student accommodation, GP surgeries, digital billboards, data centres, forecourts, car parks, storage, distribution & logistics warehouses.

Historically such areas perform well during periods of economic uncertainty – “flight to quality”.

Traditional commercial real estate, as well as real estate which is heavily exposed to cyclical sectors are not areas of focus.

Opportunities for capital growth will be available, through appropriate asset selection as the various trends filter through and the impact of national and local policy restricts the supply of specialist real-estate assets.

## SUMMARY STATISTICS

**c.10,000**

UK GP surgeries delivering healthcare services to over 115,000 patients a day.

**2.3m students**

studying in UK higher education in 2016-2017 – modern purpose built accommodation is key.

## INVESTMENT CHARACTERISTICS

Captive “local monopolies” / strategic asset locations limit supply and reduce leasing/rental risks.

Medium-term contracted cash flows with high quality counterparties and limited exposure to cyclical markets.

Potential for capital growth, whilst retaining defensive characteristics.



# Infrastructure

## Infrastructure assets provide essential services to the economy and society.

Historically the asset class has weathered economic cycles well, underpinned by the sector's key investment characteristics and credit fundamentals.

The case for infrastructure investment has never been stronger. 11 of the G20 economies have under-invested in their infrastructure assets since the last financial crisis. Globally this has left a funding gap of c.\$1.2 trillion per annum – such pressures are further compounded by ageing populations, at-capacity transportation hubs, and inefficient power generation.

Looking forward emerging market economies will drive future infrastructure growth. In 2016 China alone invested more on economic infrastructure than the US and Western Europe combined.

Investing in infrastructure requires detailed knowledge of such assets/technologies, payment mechanisms, technical factors, legal, political and regulatory matters. The team at RM Funds has decades of hands-on experience with such assets.

### SUMMARY STATISTICS

**\$2.5 trillion**

per year invested in power, water, telecoms and transportation infrastructure.

**c.\$280bn**

of investment into renewable energy during 2017, an increase of 2% on the previous year.

**175**

global transportation assets rated by S&P. Only 1.14% in default, with over 71% rated Investment Grade.

### INVESTMENT CHARACTERISTICS

Long-term contracted cashflows, with high quality counterparties.

Inflation-linked income, with long-economic life assets.

Defensive asset class, with low correlation and reduced asset volatility.



## Investment and Portfolio Summary

VT RM Alternative Income Fund  
Investor Presentation

# Investment Process



**Rigorous investment process, with a focus on both top-down and bottom-up analysis to support investment decisions.**

## **ESG FACTORS**

- Ethical, Social and Corporate Governance
- Active engagement with Boards

## **TECHNICAL CONSIDERATIONS**

- Liquidity
- Execution Risk
- Asset Volatility

**Considerable expertise, resources and market access allows us to source the best investments for investors.**

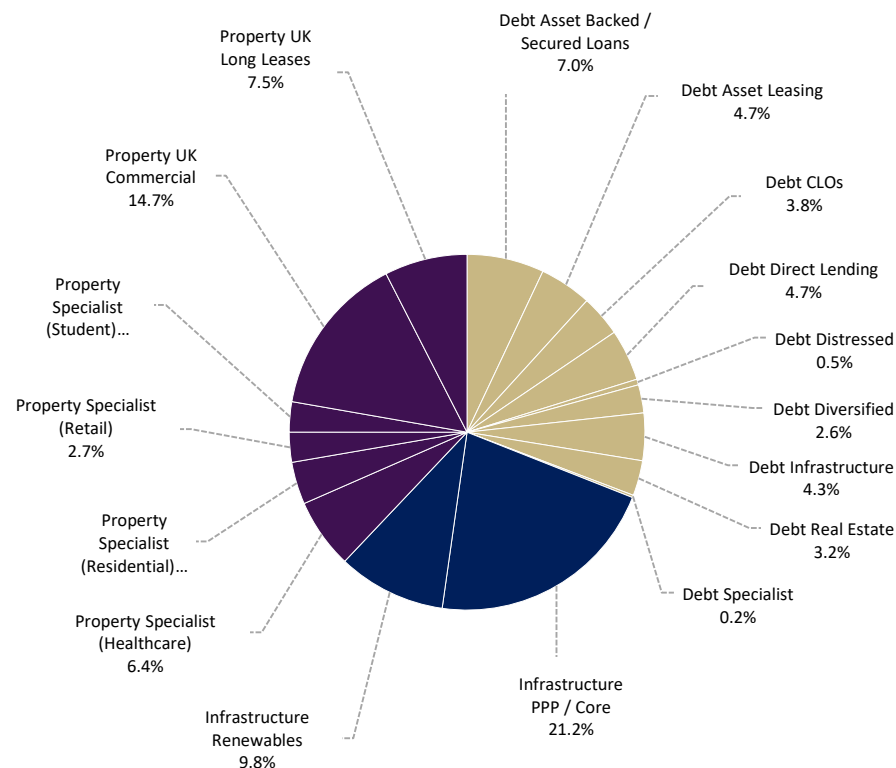
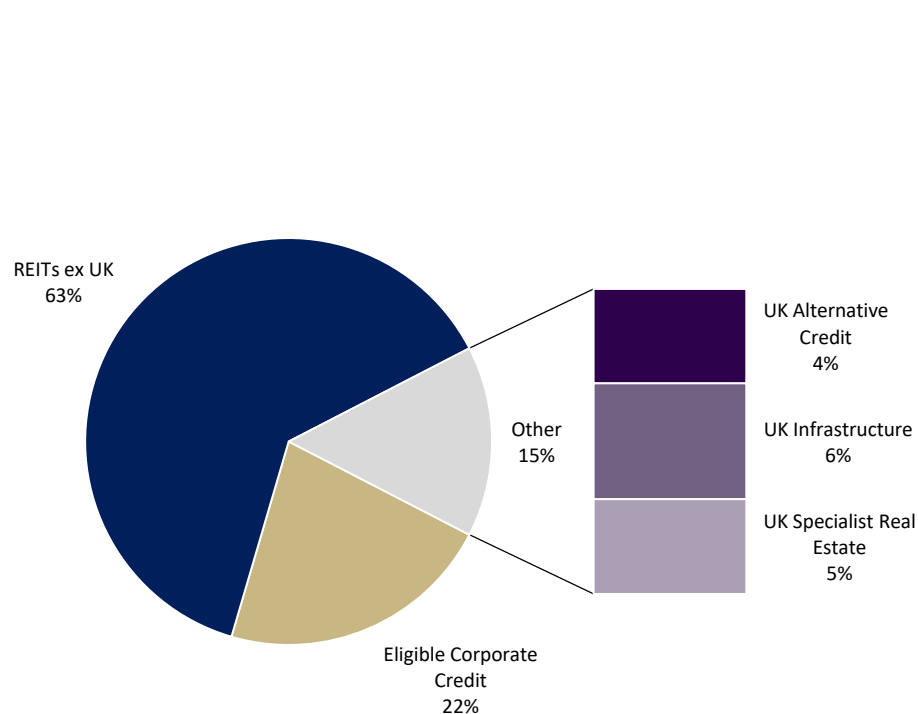
## **KEY RESTRICTIONS**

- Minimum # of holdings
- Maximum exposure 10%
- ESG criteria

## **SPECIALIST MANAGER**

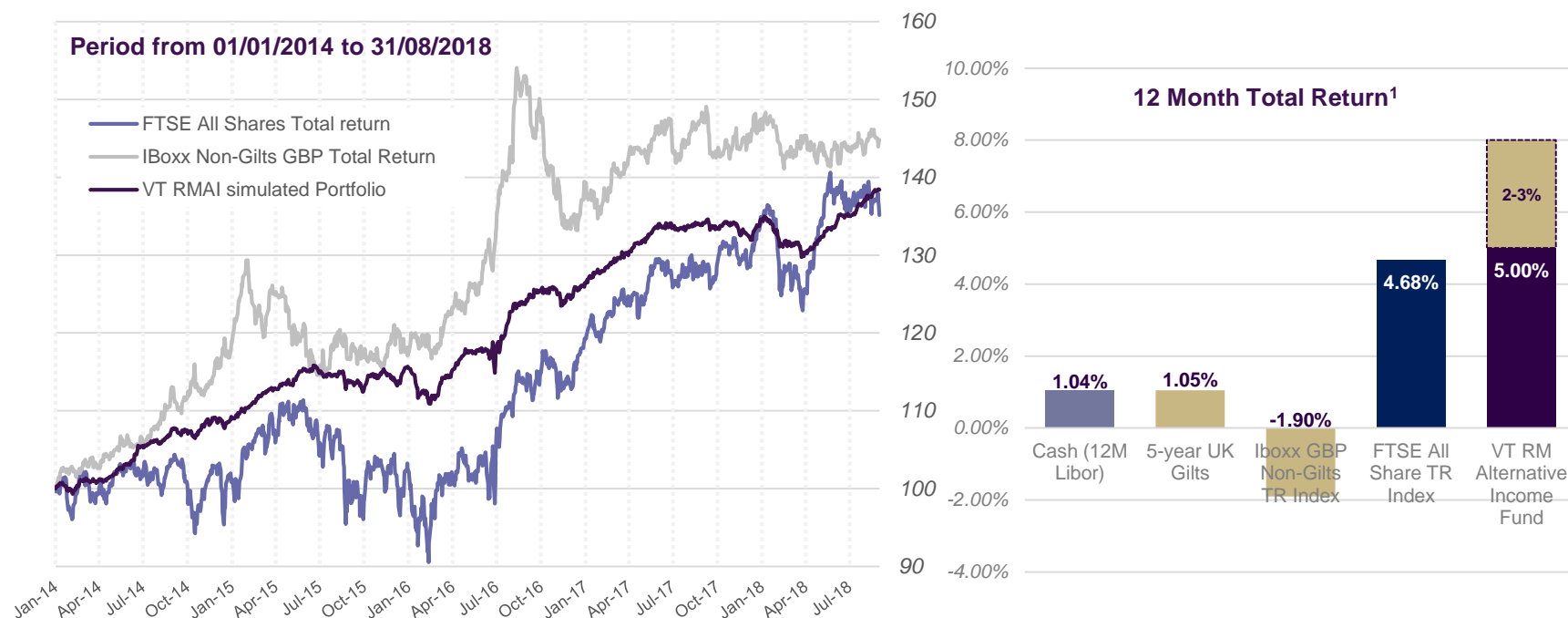
- 5 strong “Alternatives” investment team
- Established track record in alternatives
- Circa \$150m of Alt-asset managed

# Eligible Investment Universe





# Simulated Portfolio



	Total Return	Annualised Total Return	Max Drawdown	Volatility	Sharpe Ratio
Simulated Portfolio	38.42%	7.19%	4.27%	3.61%	1.64
FTSE All-Shares Total Return Index	35.13%	6.64%	18.59%	13.00%	0.40
IBoxx non-gilts Total Return GBP index	44.80%	8.22%	13.55%	8.56%	0.79
4-year gilt yield on 01/01/2014	1.454%				

Simulated performance gross of costs and fees

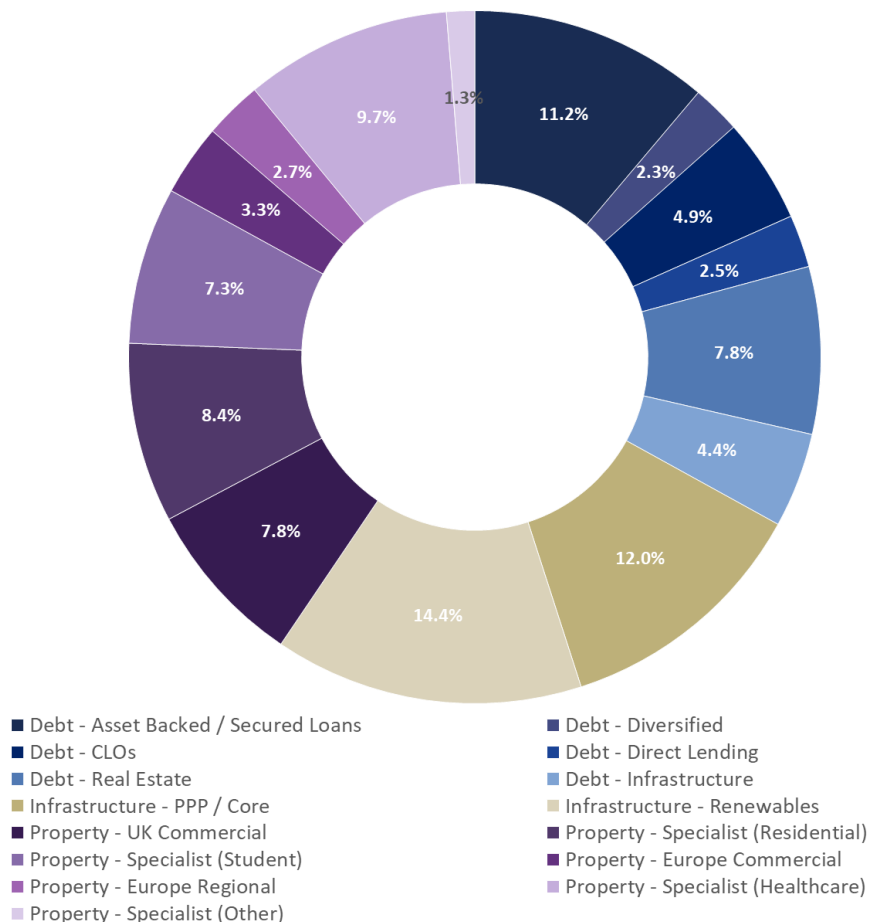
Income **5.33% p.a.**

Capital growth **2.23% p.a.**

\*The hypothetical performance measurements are illustrative only and offer no guarantee of future performance, profitable or unprofitable, actual or theoretical. Since hypothetical performance measurements do not represent actual trading they may not reflect the impact that material economic or market factors might have made on a portfolio manager's decisions were the portfolio manager actually managing a client's money. <sup>1</sup>Holding period return from 31/08/2017 to 31/08/2018

# Current Portfolio

**VT RM Alternative Income Fund  
Portfolio Breakdown**



## Top 10 holdings as at 31/08/2018

1. PRS REIT
2. Alcentra Euro Floating Rate
3. TwentyFour Select Monthly Income
4. NextEnergy solar
5. GCP Infrastructure Investments
6. Real Estate Credit Investments
7. John Laing Environmental Asset
8. GCP Asset Backed Income
9. MedicX
10. Target Healthcare REIT

**12,000+** Assets spread across the UK, Western Europe, US, Canada, & Australasia

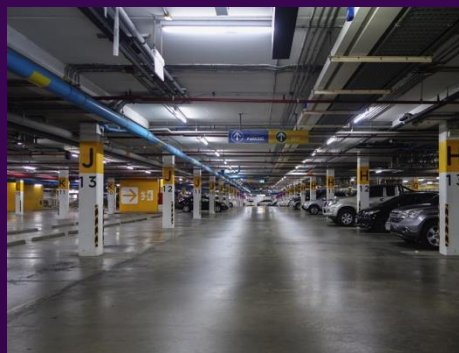
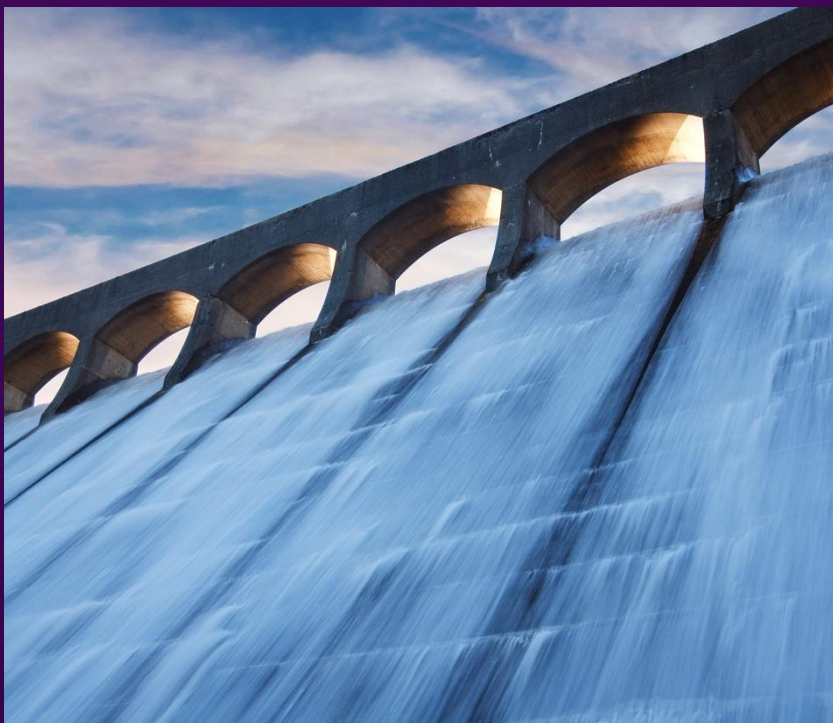
**42 Investments**

**15 Sectors**

**Target Net Dividend 5.00%**

# Sample Sector Focus

Sector	Potential investments	Key characteristics of Sector	
<b>Asset-backed / Secured Loans</b>	CVC Credit Partners Euro Opportunities £, GCP Asset Backed Income, NB Global Floating Rate Income £	Good asset cover, predominantly senior secured loans	●
		Protection to rising rates via floating rate coupons	●
		Generally more liquid loan and debt exposures which can have volatile pricing	●
<b>Asset Finance and Leasing</b>	Doric Nimrod, SQN Asset Finance, Amedeo Air Force Plus	Tangible asset based financing with security over specific assets	●
		Often hard to take recovery without impacting residual value	●
		Residual values can be volatile/cyclical	●
<b>Direct Lending</b>	Funding Circle SME Income, Honeycomb Investment Trust, RM Secured Direct Lending,	Control over underlying investments	●
		Usually robust documentation with end loans	●
		Offers exposure to Western Europe & US – stable jurisdictions	●
		Potential exposure to consumer and unsecured lending	●
		Different use of leverage across sector	●
<b>Property Specialist Real Estate</b>	Voyage Care, Keppel DC, Empiric, Xior, Intervest,	Focus on areas where long term trends support the business models(online shopping, student accommodation, care homes etc)	●
		Potential for capital growth over medium to long term	●
		Counterparty risk with tenants , regulatory risk, valuation risks	●
<b>Infrastructure – Debt</b>	CareUK, Voyage Care, MAG, NatGrid, UKRail, GCP Infra, Sequoia, Viva Energy	Contracted cash flows, long-term visibility and stability	●
		Priority within the capital structure, often mispriced with underlying equity	●
		Potential duration / interest rate risk	●
			●
			●
<b>Infrastructure – Availability, Volume &amp; Demand</b>	3I Infrastructure / HICL / IPP / John Laing, Heathrow, MAG, Bluefield Solar Income, John Laing Environmental Assets, Renewables Infrastructure Group	Robust contracted cash flows often with degree of inflation linkage	●
		Long life economic and demand assets providing essential services to society	●
		Periodic regulatory and political risks	●
		Performance can be impacted by operator and maintenance issues	●



## Key Terms

VT RM Alternative Income Fund  
Investor Presentation



# Terms

Key Term	Details
<b>Target Dividend:</b>	5.00% p.a. (on Issue Price)
<b>Distributions:</b>	Quarterly in arrears
<b>Issue Price:</b>	£1.00
<b>Share Classes:</b>	Single Share Class Income & Acc
<b>Currency:</b>	GBP, EUR, USD
<b>Min Investment:</b>	£1,000 retail /1,000,000 institutional
<b>Valuation / Trading:</b>	Daily
<b>Fund Management Charges / OCF:</b>	Retail: 0.80% / Institutional: 0.70%; Total charges capped at 0.85%
<b>IA Sector:</b>	Specialist
<b>Classification:</b>	Non-Complex
<b>ISINs: Retail / Institutional</b>	GBP Inc GB00BYVZPZ16 / GB00BD6SVR23 GBP Acc GB00BYVZQ252 / GB00BD6SVV68
	USD Inc GB00BYVZQ146 / GB00BD6SVT47 USD Acc GB00BD6SVQ16 / GB00BD6SVX82
	EUR Inc: GB00BYVZQ039 / GB00BD6SVS30
	EUR Acc: GB00BYVZQ369 / GB00BD6SVW75

# Summary

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## VT RM Alternative Income is a defensive investment strategy, designed to weather deteriorating and or volatile market conditions

- **Focus on capital preservation and stable income generation** – minimal exposure to traditional listed equities and corporate bonds.
- **Protection against a rising interest rate** environment, rising inflation and with the potential for capital growth over the medium term.
- **Active stakeholder engagement** with ethical, social and corporate governance restrictions.
- **Target net distribution of 5.00%** (on issue price), with all fund charges capped at 0.85%. **Target total return 7-8%.**

**Highly experienced**  
investment team and  
specialist fund managers

**Granular and diverse  
Investments** underpinned  
by contracted cash flows  
and tangible assets

**Protection** against  
inflation, interest rates  
and market volatility

# Contact Information

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## Investment Management

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## Distribution

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